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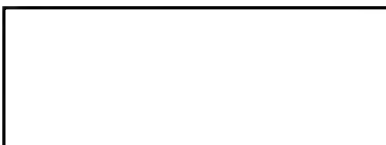
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SOUTHEAST ASIA

1. Vietnam anti-Communist refugee program in danger of breakdown:

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Thousands of refugees from north Vietnam are already moving out of that area by air and sea, but facilities for their reception in the south are woefully inadequate to handle the goal of 100,000 refugees a month, the American embassy in Saigon reports. The Vietnamese chief of the resettlement program lacks the necessary powers to carry it out, and the French give no assistance except when specifically requested.

Conditions in north Vietnam refugee centers are worse than those in postwar German camps, in the view of an American refugee expert. The embassy comments that the Viet Minh could not have planned a situation better suited to Communist propaganda purposes than the one which now exists in north Vietnam.

Comment: The malfunctioning of the refugee program results primarily from lack of French-Vietnamese co-operation. The Vietnamese are inexperienced and reluctant to rely on the French, believing American aid is politically and administratively preferable. In promising to provide transportation to all refugees, the French greatly overestimated their capabilities.

Some high French officials are frankly hostile to the entire refugee program, although General Ely has stated that a successful evacuation might make the difference between a Communist and a non-Communist Vietnam. Failure of the evacuation program would be a political disaster.

2. Indonesian army opposition to pro-Communist defense minister held ineffective:

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contrary to rumors, anti-Communist elements in the Indonesian army lack leadership and are

capable of only token resistance to the disruptive moves of pro-Communist Defense Minister Iwa.

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Colonel Kawilarang, army commander in West Java, who is the chief opponent of the defense minister's policies, plans no direct action to counter them but hopes to head a semiautonomous military force. Army commanders in North Sumatra, Central Java, and Borneo are also dissatisfied with Iwa, but for the present will give only moral support to those opposing him.

Comment: Of the present Indonesian cabinet members, the defense minister is the most closely identified with the Communists. During his year-long tenure, he has consistently sought to undercut the power of anti-Communist commanders in the army, who have provided the main brake to Indonesia's leftward trend.

The four opposition commanders control geographically separated areas, do not have the support of army headquarters in Djakarta, and have no issue with popular appeal on which they can take a strong stand against the minister.

NEAR EAST - AFRICA

3. Israel likely to resume work on disputed canal in September:

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Israel will probably resume work in September on the portion of its Jordan River diversionary canal which lies in the Israeli-Syrian demilitarized zone, according to American consul general Cole in Jerusalem. He adds that

this will be done without any regard for the plan for the development of the Jordan River valley proposed by Eric Johnston.

Cole notes that General Burns will probably have to deal with the canal issue soon after he arrives in the area as the new Palestine truce supervisor.

Comment: Israel originally started work on the canal in September 1953, but work has been held up since October by UN action. Resumption of construction next month--before the winter rains--would reopen the bitter argument between Israel and Syria which was before the Security Council for six months during the last session.

4. Current Iraqi thinking on Egypt, regional defense and British treaty:

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According to American chargé Ireland in Baghdad, the trend of Prime Minister Nuri's thinking on Near Eastern defense appears to be as follows:

(a) Egypt should be approached with the suggestion that the Arab Collective Security Pact be broadened to include Pakistan, the United States, and Britain.

(b) If this suggestion is rejected as Nuri expects, Iraq will be free to set up an alternative defense arrangement with Pakistan in accordance with Article 51 of the UN Charter. The other Arab states, particularly Lebanon and Syria, as well as the United States and Britain would be invited to join, and the Turkish-Pakistani pact would be set aside.

(c) This arrangement would also be a substitute for the Anglo-Iraqi treaty of 1930, which expires in 1957.

This information is based on the minutes of conversations between Nuri Said and Selwyn Lloyd, as reported to Chargé Ireland, and on conversations Ireland had with Iraqi leaders. The chargé says that since he has not yet received Nuri's version of these ideas it is premature to charge him with veering away from the Turkish-Pakistani pact.

Comment: This is the first comprehensive report on Nuri's current thinking. Nuri apparently is aiming at some arrangement maintaining the substance of the Anglo-Iraqi treaty and achieving a collective defense arrangement acceptable to the other Arab states.

WESTERN EUROPE

5. British consider French EDC proposals disappointing but not impossible:

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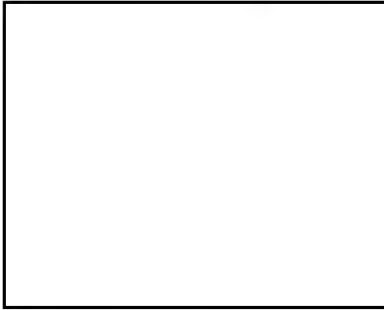
The British Foreign Office regards Mendes-France's proposals for modifying the EDC treaty as disappointing, but not impossible

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as they first seemed. According to the American embassy in London, the British hold that an EDC with delayed implementation is better than none at all. They will encourage EDC members to discuss the French recommendations and to seek an acceptable formula not requiring resubmission to parliaments.

Chancellor Adenauer has advised Ambassador Conant in Bonn that two thirds of the proposals are unacceptable, but that he is willing to discuss the remainder at Brussels.

The American embassy in Rome reports that Italian officials believe Britain favors EDC primarily as a means of obtaining a German defense contribution and would not object to the French efforts to remove the supranational features.

Comment: The British ambassador in Paris has stated that Churchill's first reaction was unnecessarily violent and was based on a misunderstanding. The apparent reversal of the British position may encourage Mendes-France to maintain a less conciliatory attitude at the Brussels meeting.

